

(continued)

5. Under current law, direct state aid will be \$316.325 million in FY2002 and \$312.304 million in FY 2003. Special education payments will be \$33,899,850 in FY 2002 and FY 2003. Guaranteed tax base aid paid to schools will be \$95.820 million in FY2002 and \$94.362 million in FY2003.
6. The amount of reduction in DSA payments, which will be granted as block grants, will be received by the districts as a non-levy revenue. To the extent that districts anticipate these payments, they will reduce the GTB aid to the districts from the state. If the districts accurately anticipate these revenues it will decrease the state's obligation in the GTB area by \$73.3 million in FY 02 and \$72.0 million in FY 03.
7. SB 444 requires that the direct state aid payment to schools be reduced by the amount of the block grant for steps and lanes. In FY2002, direct state aid will be reduced to \$158.2 million. In FY2003, direct state aid will be reduced to \$156.2 million.
8. When a district levies more taxes in the GTB area of the BASE budget area than is needed to fund the budget, it has been the practice of OPI to require the district to amend its budget and lower the number of BASE budget mills to the appropriate level. OPI then pays GTB on the amended number of BASE budget mills. For districts whose block grant and pro-rated DSA payment exceeded the full DSA payment, the district would need to revise its budget and GTB would need to be adjusted.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Expenditures:</u>		
Local Assistance - GTB	(\$73,300,000)	(\$72,000,000)
<u>Funding:</u>		
General Fund (01)	(\$73,300,000)	(\$72,000,000)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	\$73,300,000	\$72,000,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

1. This bill will force districts to under fund their budgets by using the direct state aid payment as provided by law and not receiving that amount. Districts may miscalculate the amount GTB level in building their budgets when in fact the actual state block grant will be more or less than the anticipated level of funding.
2. A district will always be in a position of levying too much or too little to balance the budget.
3. Districts will not be notified of their block grant amounts until September 1 of the school year, which is after their budgets are adopted. The districts will anticipate the amount of block grants in the GTB area of its budget in August. The block grant may be more or less than the amount the district anticipated in its budget. Therefore, the revenue amount anticipated in the budget will either be more or less than the amount actually needed to fund the GTB area of the budget. The district will either levy too much or too little to fund its GTB area of the budget

LONG-RANGE IMPACTS:

1. This bill in its current form may threaten the constitutional requirement to provide equal educational opportunity.

TECHNICAL NOTES:

1. This statute conflicts with existing statute that requires a district to adopt a balanced budget.

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2. It may not be possible for county superintendents to meet requirements to report the cost of base salaries and steps and lanes for all school districts in a county by August 1. Many school districts are still signing contracts in August.
3. Districts that are adopting only the BASE budget level may be placed in a position of not being able to fund the BASE budget. This situation would violate our principles of equalization.
4. Districts will not be notified of their block grant amounts until September 1 of the school year, which is after their budgets are adopted. The districts will anticipate the amount of block grants in the GTB area of its budget in August. The block grant may be more or less than the amount the district anticipated in its budget. Therefore, the revenue amount anticipated in the budget will either be more or less than the amount actually needed to fund the GTB area of the budget. The district will either levy too much or too little to fund its GTB area of the budget.
5. All districts will be short in the DSA area by approximately 50% in FY02 and FY03. There is no provision in law for a district to make up the short fall in DSA. Districts would need to reduce their BASE budget to compensate for this reduction in revenue.